

**SECTION III – REPORTING**  
**CHAPTER 3 – FOOTNOTE DISCLOSURES**

**Disclosure**

A governmental entity's reports and statements, both financial and operational, ideally should contain the information necessary for users--management, the electorate, creditors, grantors, and others--to form an opinion on the effectiveness of the stewardship exercised by the responsible public officials. The responsibility for providing such information is that of management. However, the auditor should comment if the data provided is insufficient to disclose any matters that may have a material effect upon the financial reports.

Adequate disclosure is that which is required by generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), as well as adherence to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). Disclosure should be fair, manageable and reasonably complete; not complex or difficult to understand.

Weight should be given to materiality, which is the relative importance or relevance of an item included in or omitted from a financial or operating report. There are no universal ratios or percentages that can be used as standards of materiality for financial or operational processes or transactions. Materiality should be based on judgment. Auditors should reference the AICPA Statement of Position (SOP) 98-03 and the AICPA Audit and Accounting Guide, Audits of State and Local Governmental Units for guidance on materiality. The AICPA plans to issue a guide during the summer, 2002 which will be updated to include GASB 34 specific issues.

Six specific indicators of materiality which can be used individually or in combinations are:

1. Absolute dollar amount.
2. Ratio of amount of an item to an appropriate base figure.
3. Length of life of an asset.
4. Importance of the item to the accomplishment of the mission.
5. Importance to the maintenance of adequate controls, such as a pattern of small discrepancies.
6. The characteristic of the items involved, such as indications of malfeasance or misfeasance.

Events that occur subsequent to the end of the period under audit may have a material effect on the operations of the entity or on its operational or financial reports. Such events may affect financial reports directly, may affect the entity with indirect effects on financial reports, or may affect conditions under which the operations take place. If such events occur they should be disclosed in the audit report either by revision of the financial reports or by commentary in the auditor's report.

The following footnotes for the Schedules of Expenditures of Awards and Financial Assistance are required by OMB Circular A-133, Sec. 310. The sample financial statement disclosures presented in this chapter supplement the sample notes reflected in the Sample CAFR on the NJSCPA web site. The sample disclosures presented in this section are not intended to be a boilerplate and should be included **only** if they apply to that district's CAFR. Additional information and samples of the same disclosures can be found in the GFOA Governmental Accounting, Auditing and Financial Reporting ( the "Blue Book"), GASB Codification of Governmental Accounting and Financial Reporting Standards, ASBO International Self-Evaluation Worksheet, etc. Included at the end of each sample footnote is the source of reference (i.e. GASB Codification Section etc.).

**GASB 34 model** –Information on additional disclosures for capital assets and long-term debt is available on the DOE Finance/GASB 34 web site <http://www.state.nj.us/njded/finance/fp/gasb34/>. District staff

and auditors should reference GASB 38, Certain Financial Statement Note Disclosures for further guidance on financial statement disclosures. The following excerpt from GASB 34, paragraph 144 is to be followed by those districts implementing GASB 34:

“Adjustments to governmental, proprietary, and fiduciary funds resulting from a change to comply with this Statement should be treated as adjustments of prior periods, and financial statements presented for the periods affected should be restated. If restatement of the financial statements for prior periods is not practical, the cumulative effect of applying this Statement should be reported as a restatement of beginning fund balance or fund net assets, as appropriate, for the earliest period restated (generally, the current period). In the first period that this statement is applied, the financial statements should disclose the nature of the restatement and its effect.” (GASB 34, ¶ 144)

**SAMPLE FOOTNOTES FOR SCHEDULES OF EXPENDITURES OF AWARDS  
AND FINANCIAL ASSISTANCE**

**Anytown School District**  
**Notes to Schedules of Expenditures of Awards and Financial Assistance**  
**June 30, 200X**

**NOTE 1. GENERAL**

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state award programs of the Board of Education, Anytown School District. The Board of Education is defined in Note 1 to the Board's general-purpose financial statements **(GASB 34 Model – basic financial statements)**. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented using the modified accrual basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting and those recorded in the special revenue fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's general-purpose financial statements **(GASB 34 Model – basic financial statements)**.

**NOTE 3. RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with amounts reported in the Board's general-purpose financial statements. The general-purpose financial statements present the special revenue fund on both a GAAP basis and a budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$\_\_\_\_\_. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Board's general-purpose financial statements on a GAAP basis as follows:

	<b><u>Federal</u></b>	<b><u>State</u></b>	<b><u>Total</u></b>
<b>General Fund</b>	\$	\$	\$
<b>Special Revenue Fund</b>			
<b>Debt Service Fund</b>			
<b>Food Service Fund</b>	_____	_____	_____
<b>Total Awards &amp; Financial Assistance</b>	\$ _____	\$ _____	\$ _____

**SAMPLE FOOTNOTES FOR SCHEDULES OF EXPENDITURES OF AWARDS  
AND FINANCIAL ASSISTANCE (CONT'D)**

**Anytown School District**

**Notes to Schedules of Expenditures of Awards and Financial Assistance (Cont'd)**

**June 30, 200X**

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 200X. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 200X.

**SAMPLE GENERAL-PURPOSE FINANCIAL STATEMENT FOOTNOTES**

*Auditor's Note* – The following POST-RETIREMENT BENEFITS information is Statewide data and should be utilized in the 2001-2002 CAFR.

**NOTE X. POST-RETIREMENT BENEFITS**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2001, there were 51,482 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994 with an additional contribution beginning in Fiscal Year 1996 to maintain a medical reserve of one half of 1% of the active State payroll.

The State contributed \$85.4 million to the PERS and \$175.6 million to the TPAF in Fiscal Year 2001 for post-retirement medical benefits.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. In fiscal year 2001, the State paid \$34.5 million toward Chapter 126 benefits for 6,917 eligible retired members.

(GASB Cod. Sec. 2300.107(z))

*Auditor's Note* – The following sample footnote disclosures are notes that are frequently omitted from school district CAFR's filed with the Department of Education. If applicable, we **recommend** the following disclosures are included in the notes to the financial statements if applicable to that district.

**NOTE X. DEFERRED COMPENSATION**

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

(List Plan Administrators Here)

(GASB Cod. Sec. 2300.107(u))

**NOTE X. COMPENSATED ABSENCES**

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt account group. The current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences. **[GASB 34 model -This note would be modified to reflect that the liability is reported in the Statement of Net Assets.]**

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 200X, a liability existed for compensated absences in the Food Service Fund in the amount \$XX,XXX.

(GASB Cod. Sec.1600.119, C60)

**NOTE X. CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the \_\_\_\_\_ of \_\_\_\_\_ Board of Education by inclusion of \$ \_\_\_\_\_ on \_\_\_\_\_, 200X for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

During the fiscal year ended June 30, 20\_\_, the District had actual interest earnings of \$ \_\_\_\_\_. By board resolution, the district withdrew \$ \_\_\_\_\_ from the capital reserve for use in a DOE approved facilities project, consistent with the district's Long Range Facilities Plan.

**NOTE X. CAPITAL RESERVE ACCOUNT (cont'd)**

Under CEIFA, the Board of Education established a Special Revenue Early Childhood Program aid (ECPA) Capital Reserve Account with the inclusion of \$\_\_\_\_\_ in the 19\_\_-\_\_ special revenue fund budget. During the fiscal year ended June 30, 20\_\_, the ECPA Capital Reserve Account had actual interest earnings of \$\_\_\_\_\_. The Balance in the ECPA Capital Reserve Account at June 30, 2002 was \$-0-. [If not, zero, explain if the district had a DOE approved lease purchase agreement, or if not, why the balance was not zero.]

(State Department of Education & GASB Cod. Sec. 2300.107(o))

**NOTE X. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**Property and Liability Insurance** - The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**New Jersey Unemployment Compensation Insurance** - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current and previous two years:

<b><u>Fiscal Year</u></b>	<b><u>District Contributions</u></b>	<b><u>Employee Contributions</u></b>	<b><u>Amount Reimbursed</u></b>	<b><u>Ending Balance</u></b>
2001 - 2002	\$	\$	\$	\$
2000 - 2001				
1999 - 2000				

(GASB Cod. Sec. 2300.107(a))

**NOTE X. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 20\_\_:

<b><u>Fund</u></b>	<b><u>Interfund Receivable</u></b>	<b><u>Interfund Payable</u></b>
General Fund	\$	\$
Special Revenue Fund		
Capital Projects Fund		
Debt Service Fund		
Enterprise Fund		
Trust and Agency Fund	_____	_____
	=====	=====

(GASB Cod. Sec. 2300.106(p))

**NOTE X. DEFICIT FUND BALANCES**

The District has an accumulated deficit of \$\_\_\_\_\_ in the Capital Projects Fund as of June 30, 20\_\_\_. This deficit is the result of the \_\_\_\_\_ of \_\_\_\_\_ utilizing temporary financing to fund expenditures for certain capital projects. As the District permanently finances these appropriations the District will realize as revenues the proceeds of the financing. This deficit does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

(GASB Cod. Sec. 2300.106(o))

**NOTE X. DEFICIT RETAINED EARNINGS**

The Food Service Enterprise Fund has a cumulative retained earnings deficit of \$\_\_\_\_\_ as of June 30, 20\_\_\_. This deficit will be provided for in the 20X1-20X2 General Fund Budget.

(GASB Cod. Sec. 2300.106(o))

**NOTE X. FUND BALANCE APPROPRIATED**

**General Fund** - Of the \$\_\_\_\_\_ General Fund fund balance at June 30, 20\_\_\_, \$\_\_\_\_\_ is reserved for encumbrances; \$\_\_\_\_\_ has been legally restricted in accordance with *N.J.A.C. 6:19-2.4(h)* as the 20X1-20X2 additional spending proposal was not fully expended and \$\_\_\_\_\_ has been legally reserved for tuition adjustment in accordance with *N.J.A.C. 6A:23-3.1(f)(8)*; \$\_\_\_\_\_ is reserved as excess surplus in accordance with *N.J.S.A. 18A:7F-7* (\$\_\_\_\_\_ of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 20\_\_\_); \$\_\_\_\_\_ has been reserved in the Capital Reserve Account; \$\_\_\_\_\_ has been appropriated and included as anticipated revenue for the year ending June 30, 20\_\_\_; and \$\_\_\_\_\_ is unreserved and undesignated.

**Debt Service Fund** - The Debt Service Fund fund balance at June 30, 20\_\_\_ of \$\_\_\_\_\_ is unreserved and undesignated.

(GASB Cod. Sec. 2300.107(o))

**NOTE X. CALCULATION OF EXCESS SURPLUS**

In accordance with *N.J.S.A. 18A:7F-7*, the designation for Reserved Fund Balance -- Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 20\_\_\_ is \$\_\_\_\_\_.

(State Department of Education & GASB Cod. Sec. 2300.107(o))